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SUBJECT: 2007 IN REVIEW

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#### Summary

1. (SBU) 2007 was a year of important progress, but also continued challenge. The good news was on the battlefield, the economy, and strengthened local and national institutions. The bad news was increased terrorism, increased drug cultivation, and corruption. Afghanistan already is seeing leaders position themselves for the 2009 elections.

#### Governance

2. (SBU) In response to U.S. urging, there was new emphasis on effective local government to overcome lack of capacity, pervasive corruption at all levels, and passivity. Control of governors (appointed) shifted from the troubled Ministry of Interior to the Presidency, under an able and honest director. We have seen better appointments and better coordination in just a few months. We are supporting this effort both in Kabul and through our PRTs and those PRTs where there is a US presence.

3. (SBU) The Parliament passed more laws than ever before, including some important and difficult legislation. Political rivalries, election pre-positioning, and disagreement over the powers of the branches became confrontational when the Parliament walked out in protest of President Karzai's refusal to sack ministers who had lost a no-confidence vote. Ethnic division surfaced as the northern, Tajik dominated "United Front" emerged as a significant opposition political force, leading the President to play more to his Pashtun base. Preparations are underway to support parliamentary and presidential elections in 2009/2010. We are already seeing tension between good governance and raw politics as the Administration and the opposition jockey for the support of sometimes questionable leaders who control blocs of votes.

#### Development

4. (SBU) 2007 saw a continued focus on spreading governance and economic opportunity through the construction or refurbishment of

District Centers, roads and canals. The mix of traditional AID assistance at the national level, and CERP/PRT assistance for quick impact local projects is working well.

15. (SBU) We expect to increase power output to the southern part of the country from the Kajaki dam from about 21MW to 33MW by the end of 2008, with another 17MW the year after that. The rehabilitation of the dam had been on hold for 18 months due to security concerns. We also expect to install about 66MW of fuel-fed generating capacity in the Kabul area by next winter, and another 33MW shortly thereafter. Bids are out for generating capacity at the Shebergan natural gas field and negotiations are underway for power purchase agreements with Uzbekistan and Afghanistan's other northern neighbors.

16. (SBU) We built over 650 km of roads in 2007, and project more in 2008. Roads remain the project most sought by Afghans. Unfortunately, they also are prime targets for terrorism and insurgency, and for police bribe-taking at illegal check-points. Security of the roads is a high Embassy and ISAF priority. The ring road connecting all major population and production centers of the country is almost complete except for the Japanese portion in the southwest and for a less important portion in the northwest between Herat and Mazar-e-Sharif.

17. (SBU) Preparation of the Afghan National Development Strategy is coming into the final stretch, prior to submission in March to the World Bank. We expect detailed submissions for three sectors -- energy, roads, and health -- but the remaining five will be submitted in outline form. Nevertheless, we expect the submissions to provide the basis for international developmental assistance planning and especially for pledges at an expected June meeting of international donors. We are working hard to make the Kabul planners pay sufficient attention to the locally generated priorities that distinguish the ANDS process from more traditional planning exercises.

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18. (SBU) Other 2007 assistance highlights include:

- Elections assistance that will continue through 2009.
- Very successful agricultural fairs that brought together large numbers of producers and distributors in Kabul and other agricultural centers.
- Medical assistance that, inter alia, helped reduce infant mortality by some 80,000 deaths per year.
- \$49.3 million in assistance to the UNHCR, the ICRC and NGOs to provide returning Afghan refugees with humanitarian assistance, shelter, water, education, health, and livelihoods.
- Printing and distribution of over 11 million textbooks and support for almost 6 million students in school.
- Creation of over 62,000 jobs through support for 50,000 private loans to small- and medium-sized enterprises.
- Opening of the Afghanistan-Tajikistan "Friendship Bridge."
- Planting of more than 2.5 million trees, both to stabilize the environment and provide employment.

Security  
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19. (SBU) The Taliban lost control of two major districts in Helmand province in the south, Sangin and Musa Qala, while not gaining any new districts under their control. Despite publicity-generating, short-lived assaults on remote district centers, the Taliban were forced out of these locations after losing a number of field commanders and troops.

10. (SBU) The Afghan army grew in size and capability. We expect it

to reach its currently projected end strength of 70,000 in about a year, although a U.S. Army study is underway that may recommend a larger Afghan army end-state. Although it cannot yet take the lead from ISAF, the army is playing a steadily increasing role on the battlefield and contributed to the successful 2007 fighting season.

¶11. (SBU) Perhaps as a result of its lack of success on the battlefield, the Taliban placed greater emphasis on terrorism with more landmines, suicide attacks, kidnappings, human rights abuses and atrocities committed against the local population. Although the Taliban's most frequent targets this year were Afghan security forces, UN studies have shown that the overwhelming majority of victims were civilians.

¶12. (SBU) The Taliban strategy appears to have shifted from trying to win the loyalty of the people to trying to intimidate them. Although Taliban terrorism is confined to only about ten percent of the nation's districts, it is having a major impact: the people feel more insecure due to terrorism, warlord and drug trafficking criminality, and continued weakness in the police and military forces. After a hiatus, security has become a serious issue of concern in the minds of Afghans, including in the Kabul area.

¶13. (SBU) With a few notable exceptions, such as the Baghlan bombing in November that killed prominent legislators, the north has remained secure. The south remained very difficult due to the presence both of insurgents and the drug trade. The west had its most difficult recent year, resulting from the combination of insurgency, Iranian influence, drug trafficking, tribal rivalries, and restricted responses by some ISAF members. The east has seen an overall improvement in security thanks to effective counter-insurgency efforts by the U.S. Eastern Afghanistan also saw numerous border incidents involving Taliban, Pakistani frontier forces and, more rarely, Pakistani military forces. Recent Pakistani efforts against extremist centers, however, have reduced both incidents and insurgent infiltration into the east.

#### The Police

¶14. (SBU) The police continue to be weak, but improving. Pay and  
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rank reform programs raised police salaries to rough parity with the army and, in the process, vetted senior officers to remove or demote unqualified or unsuitable incumbents. The Afghan government is very enthusiastic about the new Focused District Development (FDD) program, which will retrain and reequip entire police units district-by-district. The first tranche of FDD training began on December 26. The Interior Ministry and the police must still overcome challenges of corruption, illegal check-points, and lack of training, equipment and confidence in their own mission. Because of the shortage of international police trainers and mentors, some mentoring teams have had to shift away from working with the army, where they are also critically needed, to support the police.

#### Counter-Narcotics

¶15. (SBU) Drug production grew by 34 percent in 2007 according to the UN, accounting for more than 90 percent of the world's heroin. Half the increase was due to increased cultivation and half to higher yields resulting from an end to drought conditions. Although most poppy cultivation was centered in the southern provinces, Nangarhar, in the east, saw a 285% increase, in cultivation over ¶2006. Total eradication in 2007 was just under 20,000 hectares, up from 15,300 hectares the year before. The number of poppy-free provinces in Afghanistan more than doubled, from six to 13.

¶16. (SBU) The symbiotic nexus of insurgency, corruption, and drug trafficking represents a huge challenge to our goals of peace, democracy, development, and decency. The Afghans have rejected U.S. recommendations to deploy aerial spray. The government has increased cooperation in narcotics interdiction but to date no high-level traffickers have been convicted on narcotics charges. According to UNODC's December prognosis, 2008 cultivation patterns

continue the pattern of decreased cultivation in the more secure northern and central provinces while cultivation stays high in the insecure south and southwest. U.S. public and private insistence on the dangers of illicit drug production, coupled with enhanced incentives for reduction of cultivation, may reduce planting in a few areas. But we expect overall acreage to go up again.

#### Rule of Law

¶17. (SBU) The Rome Rule of Law Conference secured substantial new pledges for rule of law and demonstrated the international consensus to support this sector. At the end of 2007 the Afghan Justice Sector is better organized but suffers from a lack of trained personnel, a crumbling physical infrastructure, ineffectual law enforcement in the provinces, an inadequate legal framework, and most of all, pervasive corruption. For most of the country, institutional justice remains distant. One outcome of the Rome conference was renewed emphasis on provincial and rural justice systems. Better community policing, better local governance and closer cooperation with some of the traditional systems of justice offer some short-term answers. Also, for more specialized law enforcement threats, we need better police for border security, customs, counter-narcotics, and defense of towns and districts under insurgent pressure. We have not yet found an optimal division of labor among the internationals between short-term solutions and the long-term ideal of a fully institutionalized justice system.

#### Economic

¶18. (SBU) In spite of trade and other impediments, the IMF reports the legitimate real economy is growing at 13 percent annually, the highest rate in South Asia. The Ministry of Finance is on track to meet its revenue target of \$715 million for this year. Per capita income has doubled since 2002 from a very low base to around \$300. Nevertheless, Afghanistan remains a very poor country, even by African standards. Prices for household staples have risen across Afghanistan, driven primarily by worldwide increases in prices of key commodities. Higher prices for the basic food basket are reducing satisfaction with the government, leading it to increased interference in the economy. Cabinet and Parliament have discussed instituting price controls and reviving state-owned enterprises to provide food at fixed, subsidized prices, a source of concern for us and the IMF.

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#### Media

¶19. (SBU) Increasing education and the free flow of ideas through the media are transforming Afghanistan. Kabul-based radio and television reach much of the country, and their sophistication is growing. Recent discussion programs have addressed institutional corruption, the dynamic between the executive and legislative branches, the effectiveness of President Karzai, and a range of social issues. Much of the programming is critical of the government, which on occasion has drawn a troubling response. In recent months journalists have been detained for short periods without explanation.

¶20. (SBU) The Government's communications capability is improving. A new Director of Communications in the Presidency has improved the effort, and helped coordinate messages with the international community on difficult questions like civilian casualties resulting from military actions. We expect a new Government Media Center (GMC), planned as a government-wide communications clearinghouse, to be fully functioning by February 2008.

#### The Borders

¶21. (SBU) Over the last year the government has incrementally improved the management of Afghanistan's borders. The Afghan Border Police (ABP) has received advanced training and equipment necessary

to assume a new, proactive role in border security activities. At the two major Afghan border crossings - Torkham and Islam Qalah - U.S. mentor teams serve as a liaison between the Afghan Customs and ABP management, provide management advice and specialized training to both customs and ABP officers. At the Ministry of Finance, the Border Management Task Force initiated a mentor relationship with ministry staff to enhance productivity and revenue collection accounting. The U.S.-financed Afghan-Tajik Bridge that Commerce Secretary Gutierrez dedicated in August 2007 has proven a great

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success in promoting cross border trade. In its first month of limited operations, Afghan government customs revenue nearly doubled from \$80,000 to \$150,000.

International

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¶22. (SBU) Afghanistan continues to be high on the international agenda. Russia, China, Pakistan, India, Saudi Arabia, and Iran are prominent among those who do not contribute troops but have an intense interest in developments here. In 2007 literally dozens of heads of government, foreign ministers, and defense ministers came to visit their troops, observe development activities, and exchange views with President Karzai.

¶23. (SBU) Relations with Pakistan moved forward with several summits, the successful August bilateral peace jirga in Kabul, and President Karzai's successful visit to Islamabad in late December. Our primary goals are better cooperation against extremists and terrorists along the border, easier flow of goods and services between Afghanistan and Pakistan, and the voluntary return of the 2.5 million Afghan refugees in Pakistan. Although developments have been delayed by political events in Pakistan, Afghanistan hopes to renew these initiatives after national elections there.

¶24. (SBU) Relations with Iran took a step backward as a result of forced repatriation of more than 360,000 unregistered Afghans from Iran, opposition to hydro projects along the border, evidence of Iranian provision of weapons, technology, and training to the Taliban, and Iranian support for the United Front opposition movement (northern, non-Pashtun). But Iran also provided extensive development and cultural assistance, is playing an increasingly dominant role in western Afghanistan, and is ready to cooperate on counter-narcotics. We are expecting a new ambassador to replace the relatively moderate former ambassador, who departed more than a month ago.

¶25. (SBU) Relations with the northern neighbors -- Turkmenistan, Uzbekistan, and Tajikistan - remained cordial and continued incremental practical improvement. The new bridge to Tajikistan

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could be a gateway to Central Asia if the Tajiks, Afghans, and Pakistanis would put their shoulders behind it. Talks are also progressing in fits and starts on arrangements for Afghanistan to purchase power from the three, with Uzbekistan closest to fruition. Afghanistan and its three northern neighbors share the view that energy resources and production should be kept in the public sector, with private firms providing some electricity but without ownership of the basic infrastructure.

WOOD